

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY OES/APT/SEP:RFILLING:GEM
APPROVED BY OES/APT:OHGANLEY
EUR/EE:CSCHMIDT
EB/ITP/EWT:WROOT
OES/APT/SEP:RGMORRIS
S/S: RCASTRODALE
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FM SECSTATE WASHDC
TO AMEMBASSY BUCHAREST PRIORITY

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EXDIS

E.O. 11652:XGDS 2 AND 3

TAGS: TSPA, ACOM, RO

SUBJECT: VIP TELECOMMUNICATIONS SYSTEM

REF: BUCHAREST 1276

1. E SYSTEMS REPRESENTATIVES MET AT DEPARTMENT FOR TWO HOURS MARCH 8 WITH DAS GANLEY AND OTHER CONCERNED USG OFFICERS. IN CORDIAL MEETING, LYLE CAMERON AND DOUGLAS WEAVER OF E SYSTEMS PRESENTED FRANK DESCRIPTION OF THEIR LETTER OF INTENT WITH GOR. THREE MAJOR PROBLEMS RAISED IN DISCUSSION CONCERN TRAINING OF ROMANIAN TECHNICIANS DURING INSTALLATION OF EQUIPMENT IN AIRCRAFT, SECURITY OF DETAILS OF TRANSACTION AND INSTALLATION IN AIRCRAFT, AND PROBLEMS SURROUNDING GOR DESIRE TO HAVE SECOND COMMUNICATION

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PACKAGE INSTALLED IN PRESIDENT CEAUCESCU'S IL-62. OFFICIALS OF OES, EUR/EE, EB/EWT, DOD, MC AND COMMERCE WILL ATTEMPT TO RESOLVE OUTSTANDING QUESTIONS WITHIN USG AND WILL DISCUSS THEIR CONCLUSIONS WITH E SYSTEMS NEXT WEEK.

2. E SYSTEMS IS PREPARED TO REQUEST EXPORT LICENSE NEXT

WEEK. THEY ARE AWARE THAT INERTIAL NAVIGATIONAL EQUIPMENT AND ALL CRYPTOGRAPHIC GEAR MUST CLEAR DEPARTMENT'S MUNITIONS CONTROL AS WELL AS COMMERCE EXPORT

CONTROL. IN ADDITION, DETAILS OF SEEKING COCOM APPROVAL WERE EXPLAINED TO E SYSTEMS REPS.

3. BASED ON ROMANIANS' CONTRACT WITH BOEING, E SYSTEMS EXPECTS TO RECEIVE DELIVERY OF BOEING 707 IN MARCH 79. RECONFIGURATION OF AIRCRAFT WILL PROBABLY BE CARRIED OUT AT LOVE FIELD. GOR HOPES TO HAVE FROM TWO TO EIGHT ROMANIAN TECHNICIANS TRAINED DURING ENTIRE PERIOD OF INSTALLATION. COMPANY FEELS IT PREFERABLE BUT NOT ESSENTIAL TO CONDUCT THIS TRAINING IN US; IN ROMANIA IT WOULD LIKELY BE MORE COSTLY AND TIME CONSUMING. E SYSTEMS ALSO PLANS TO HAVE THREE OF ITS TECHNICIANS SUPERVISE INSTALLATION OF GROUND STATION WHICH IS TO BE SET UP ON CURRENTLY UNUSED SITE FEW MILES NORTH OF BUCHAREST INTERNATIONAL AIRPORT. ROMANIANS ARE TO INSTALL ADDITIONAL GROUND STATIONS IN THEIR EMBASSIES AT PEKING, WASHINGTON AND AT TWO AFRICAN POSTS.

4. CANDID VIEW OF E SYSTEMS IS THAT ONCE AIRCRAFT DELIVERED TO THEIR FACILITIES IT WOULD BE DIFFICULT TO KEEP NATURE OF TRANSACTION CONFIDENTIAL. FOR EXAMPLE, GOR HAS ALSO ASKED THAT BOEING DELIVER AIRCRAFT TO E
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SYSTEMS FULLY PAINTED, WITH GOR MARKING PROMINENTLY WRITTEN ON FUSILAGE. E SYSTEMS WILL NEED TO HAVE AIRCRAFT FOR PERIOD OF 5-6 MONTHS, AND WILL NEED TO CONDUCT FLIGHT TESTS. MOREOVER, IN COMPANY'S VIEW, GOR SEEMS INCLINED TO MAKE NO SECRET OF PURCHASE WHICH THEY PROBABLY VIEW AS BOOST TO PRESTIGE. DEPARTMENT'S EARLIER UNDERSTANDING THAT GOR WISHED TO KEEP WHOLE MATTER SECRET FROM SOVIETS WAS COMPLETELY REVERSED BY CAMERON'S REVELATION THAT HE SAW SOVIET TECHNICIANS MOVING FREELY ABOUT SITE IN BUCHAREST WHERE BOEING AIRCRAFT WOULD BE DELIVERED. HE FELT CERTAIN SOVIETS MUST BE PRIVY TO CURRENT NEGOTIATION. DEPARTMENT PLANS TO CONSIDER BEST APPROACH TO ALL ASPECTS OF SECURITY. SECURITIES AND EXCHANGE COMMISSION REQUIREMENT THAT COMPANY ISSUE PUBLIC NOTICE WHEN CONTRACT SUCH AS THIS IS CONCLUDED COULD FORCE WHOLE SECURITY QUESTION.

5. CAMERON SAID GOR RAISED QUESTION OF "SPARE AIRBORNE TELECOMMUNICATIONS SYSTEM" FOR IL-62 AT VERY LAST MOMENT IN NEGOTIATIONS. GOR PROPOSAL IS FOR ITS TECHNICIANS TO INSTALL COMMUNICATIONS GEAR IN IL-62, BUT FOR SOVIET TECHNICIANS TO MAKE NECESSARY ALTERATION IN AIRCRAFT TO

RECEIVE THE EQUIPMENT. ACCORDING TO CAMERON AND WEAVER, THE PACKAGE FOR IL-62, WHICH WOULD MEAN THREE-QUARTER MILLION DOLLARS IN ADDITIONAL BUSINESS FOR E SYSTEMS, IS NOT AN INTEGRAL PART OF CONTRACT. GANLEY SAID THAT THIS NEW ELEMENT OBVIOUSLY WAS NOT INCLUDED IN

THE USG'S EXAMINATION OF THE ORIGINAL PROJECT. IT RAISES ADDITIONAL QUESTIONS AND WILL HAVE TO BE CONSIDERED ON ITS OWN MERITS, PERHAPS AT A VERY HIGH LEVEL WITHIN THE USG. WE ALSO NOTED THAT IL-62 ADD-ON COULD COMPLICATE COCOM CONSIDERATION OF THE ENTIRE PACKAGE.

6. WE WOULD WELCOME ANY EMBASSY COMMENTS OR OBSERVATIONS ON ABOVE. IN PARTICULAR, WE WOULD BE INTERESTED IN ANY
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LIGHT EMBASSY COULD SHED ON GOR'S INTEREST IN THE ADDITIONAL SYSTEM FOR THE IL-62. (E SYSTEMS REPRESENTATIVES SAID ROMANIANS OFFERED NO RATIONALE FOR THIS ELEVENTH-HOUR ADDITION, NOR DID THEY SEEK ONE.) IN EMBASSY'S VIEW, HOW CRUCIAL TO ENTIRE PACKAGE IS INCLUSION OF THE "SPARE" SYSTEM?

7. CAMERON ALSO INFORMED US THAT, AT LAST MINUTE, TECHNOEXPORTIMPORT RAISED QUESTION OF OFFSET, STATING THAT THIS ISSUE WOULD HAVE TO BE EXAMINED. HOWEVER, WHEN CAMERON RESPONDED BY ASKING FOR LIST OF EXPORT PRODUCTS, TECHNOEXPORTIMPORT WAS UNABLE TO PRODUCE ONE. E SYSTEMS REPRESENTATIVES TOLD US THEY ARE VERY STRONGLY INCLINED NOT TO PROVIDE GOR WITH ANY SORT OF OFFSET GUARANTEE NOR TO AGREE TO ACT AS SALES REPRESENTATIVE FOR ROMANIAN PRODUCTS. THEY HAVE NOT YET INFORMED GOR OF THIS POSITION, HOWEVER. VANCE

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